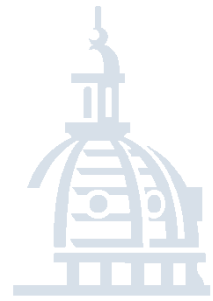


# Fiscal Note

*Fiscal Services Division*



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**SF 202** – Health Therapies, Copay Equity (LSB1674SV)

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Fiscal Note Version – New

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## **Description**

**Senate File 202** provides that a policy, contract, or plan providing copayments or coinsurance of health and medical expenses charged for the services provided by physical and occupational therapists and speech pathologists cannot be greater than the copayment or coinsurance amount charged for services used to treat the same or similar diagnosed condition as rendered by a primary care physician (PCP) or other medical provider. This Bill applies to specified individual and group policies, contracts, and plans that are issued for delivery, continued, or renewed in this state on or after July 1, 2015.

## **Background**

State agencies and Regents universities have self-funded health insurance programs. Both the University of Northern Iowa and Iowa State University offer plans that include member out-of-pocket cost sharing requirements for office visits that do not vary based on the provider preference or type of service provided. The University of Iowa is unique in that it also offers high differential insurance plans. These plans are characterized by significant differences between the cost levels of premium payments in comparison to cost levels of deductible payments as well as the difference between what an insurer pays a preferred provider for service and what it pays a nonpreferred provider for the same service. A high deductible plan is accompanied by a lower premium.

The University of Iowa charges less out-of-pocket cost share when members utilize the University of Iowa Hospitals or Clinics for medical services. The University encourages its health plan participants to use the University of Iowa Hospitals and Clinics by designating it as the preferred provider for their health insurance plan and therefore reducing copayments. As of January 1, 2015, the University of Iowa has a plan available to students that charges a higher out-of-pocket cost share for services provided by physical and occupational therapists as well as speech pathologists.

Under the 2008 federal Mental Health Parity and Addiction Equity of 2008 (MHPAE), group health plans and health insurance issuers must ensure that financial requirements (such as copayments and deductibles) and treatment limitations (such as number of visits) applicable to mental health or substance abuse disorder benefits are no more restrictive than those applied to substantially ill medical or surgical benefits. The MHPAE applies to private and public sector employers with more than 50 employees, including self-insured and fully insured arrangements. Any law changes at the state level are subject to these federal guidelines.

## **Assumptions**

The copayments for state plans for state agencies and for the University of Northern Iowa and Iowa State University are the same for physical and occupational therapy and speech pathology as for other services.

The University of Iowa encourages its employees to utilize services from the University of Iowa Hospitals and Clinics by designating it as the preferred provider, resulting in lower copayments. Currently, employees pay between 20-40% of the total charge, depending on where services are administered.

The University of Iowa offers a high differential health care coverage plan, with a co-payment structure of an 80/20 split. The total cost for plans with high differential coverage is \$151 million.

Funding for the University of Iowa comes from a variety of sources, including appropriations from the General Fund, federal grants, tuition and fees, as well as other sources.

### **Fiscal Impact**

There is no direct impact to the State General Fund.

Enactment of [SF 202](#) will cause the University of Iowa to modify its current health insurance plans. The plans will need to be adjusted to meet the proposed requirements and reduce the member cost sharing for services performed by physical and occupational therapists as well speech pathologists to those offered by a PCP. Approximately 0.05% of University of Iowa student plans are projected to be affected as a result of the cost impact of a premium increase to allow for additional coverage.

The University of Iowa projects that the cost of employer claims will increase approximately \$884,000 in FY 2016 and \$919,000 in FY 2017. The University also expects employer claims costs to be increasing towards \$1 million as the new co-payment requirements become effective.

The modifications brought forth by the enactment of [SF 202](#) will also be subject to the federal guidelines under the above referenced MHPAE. It is not possible to determine a fiscal impact for this scenario as it is unclear how many of the University of Iowa's plans provide mental health and substance abuse disorder benefits and federal guidelines do not mandate such a plan to include them. Plans that already provide these services must comply with MHPAE guidelines and will be affected as well. It is not possible to determine how lack of compliance of this mandate would result in enforcement on a cost-basis level.

### **Sources**

Board of Regents  
Department of Administrative Services  
Wellmark  
U.S. Department of Labor

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/s/ Holly M. Lyons

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The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.

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